

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-02 L-03 NSC-10

PA-03 PRS-01 SS-15 USIA-12 CEA-02 STR-08 RSR-01 /163 W
----- 042354

R 251720 Z MAY 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5357

INFO AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 BONN 7628

DEPARTMENT PASS FEDERAL RESERVE

E. O. 11652: N/ A

TAGS: BEXP, EFIN, GW, US

SUBJECT: HANDELSBLATT ARTICLE ON FOREIGN BANK INVESTMENTS IN
UNITED STATES

INFORMAL TRANSLATION OF TEXT OF ARTICLE APPEARING IN MAY 23

HANDELSBLATT FOLLOWS:

HEADING: US BANKS WISH TO REMAIN BY THEMSELVES

SUBHEADING: GROWING OPPOSITION AGAINST FOREIGN COMPETITORS

(EGL-- NEW YORK) IN THE USA, FOREIGN BANKS MEET WITH GROWING
RESISTANCE AND PROGRESSING MALEVOLENCE FROM THEIR AMERICAN
COMPETITORS, EVEN THOUGH, ACCORDING TO AVAILABLE STATISTICS,
US BANKS ARE LIKELY TO CONTROL WORLDWIDE MORE THAN FOUR TIMES
THE RESOURCES KEPT IN THE US BY FOREIGN INSTITUTES. MEDIUM- SIZE
AMERICAN BANKS IN PARTICULAR FEEL DISTURBED BY THE STRONG
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EXPANSION OF FOREIGNERS.

COMPLAINTS ARE RAISED IN WASHINGTON AGAINST FOREIGN BANKS ENJOYING IN ALL PARTS OF THE US A MUCH WIDER OPERATING RANGE THAN THAT OFFERED TO DOMESTIC INSTITUTES. THE CARCLAYS GROUP' S FAILURE TO OBTAIN AGAINST PAYMENT OF 60 MILLION DOLLARS THE LONG ISLAND TRUST & CO., AN INSTITUTE WORTH 509 MILLION DOLLARS RESOURCES, WAS THEREFORE NOTED WITH SATISFACTION BY US BANKING CIRCLES A FEW DAYS AGO. THE NEW YORK STATE SUPERINTENDENT OF BANKS BLOCKED THE TRANSACTION, AMONG OTHER ARGUMENTS REFERRING TO THE " COERCIVE NEED TO TREAT DOMESTIC AND FOREIGN INSTITUTES WITH EQUAL FAIRNESS". FURTHERMORE, THE US BANKING GUARDIANS TOOK THE VIEW THAT A FOREIGN BANK OF BARCLAYS' CALIBER MUST BE KEPT IN CHECK AS WELL AS ANY AMERICAN BIG BANKING HOUSE.

OF COURSE, THOSE BIG BANKING HOUSES WHO, THEMSELVES, ARE OPERATING MULTINATIONALLY, EXERCISE RESTRAINT IN REGARD TO CAMPAIGNING AGAINST FOREIGN BANKS. HOWEVER, AMERICAN BANKS OF THE SECOND RANK ARE TAKING THE FIELD THAT MUCH LOUDER; MOST PROMINENTLY RICHARD P. COOLEY, PRESIDENT OF THE WELLS FARGO BANK, SAN FRANCISCO. " A FEW MORE SPEECHES OF THE KIND OF COOLEY' S", ONE NEW YORK FOREIGN BANKER STATED, " AND THE CLIMATE WILL BE SPOILED". SUBSTANTIALLY, THE BANKER FROM CALIFORNIA IN HIS MOST RECENT SPEECH DID NOT ATTEMPT MORE OR LESS THAN TO DRAW UP A COMPLETE " LIST OF VIOLATIONS" COMMITTED IN THE US BY FOREIGN BANKS; WITHOUT GIVING, HOWEVER, APPROPRIATE CONSIDERATION TO THE OTHER SIDE OF THE COIN, I. E., THE GIGANTIC OPERATIONS OF AMERICAN BANKS ABORAD.

SUBHEADING: IN MORE THAN TEN INDIVIDUAL STATES ACCORDING TO COOLEY, ASSETS KEPT IN THE US BY SUBSIDIARIES OF FOREIGN BANKS HAVE BY NOW REACHED ABOUT 13 BILLION DOLLARS; PLUS ANOTHER 8 BILLION DOLLARS FROM THESE BANK' S NET OF BRANCH OFFICES AND ESTABLISHMENTS. THE NUMBER OF ALL BRANCH OFFICES, INCLUDING REPRESENTATIVE AGENCIES, ARE CLAIMED TO HAVE INCREASED FROM 175 IN 1965 TO 430 NOW, WITH FOREIGN BANKS HAVING BEEN ABLE TO GET ESTABLISHED IN MORE THAN TEN INDIVIDUAL STATES BY NOW. HOWEVERA, THE ROUGHLY 20 BILLION DOLLARS TOTAL HOLDINGS OF FOREIGN BANKS IN THE US COMPARE WITH ABOUT 90 BILLION DOLLARS KEPT BY US BANKS ABORAD. IN THE COMMON MARKET, US BANKS MAINTAIN 108 BRANCHES, INCLUDING 40 IN GREAT BRITAIN.

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THE FEDERAL RESERVE BOARD AS WELL AS THE CONGRESSIONAL BANKING COMMITTEES ARE PRESENTLY INVESTIGATING THE CAPITAL STRUCTURE, CREDIT VOLUME, AND VOLUME OF OTHER BUSINESS OF FOREIGN BANKS IN THE US. WITH THE SUPPORT OF THE BANKERS' ASSOCIATION AND OTHER INTERESTED GROUPS, THE RESPONSIBLE OFFICES IN WASHINGTON ARE

DEVELOPING A NEW CONCEPT OF FEDERAL CONTROL OVER OPERATIONS OF FOREIGN BANKS IN THE US, WHICH IS INTENDED TO CENTRALIZE INTO ONE FEDERAL LICENSING AND CONTROLS SYSTEM THE DISPARATE BANK LEGISLATION AND CONTROLS VALID IN INDIVIDUAL STATES; A PROJECT THAT HAS NOW A BETTER CHANCE IN CONGRESS THAN SEVERAL YEARS AGO WHEN LEGISLATIVE INITIATIVES IN THIS DIRECTION DID NOT GET FAR.

SUBHEADING: ARE FOREIGNERS INTENSIFYING THE CRISES?

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L-03 NSC-10 PA-03 PRS-01 SS-15 USIA-12 RSR-01 /163 W
----- 042403

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TO SECSTATE WASHDC 5358
INFO AMEMBASSY BRUSSELS
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DESPITE THE HEAVY FOREIGN ENGAGEMENT OF AMERICAN BANKS AND THE CONSEQUENT PRINCIPAL PROBLEM OF RECIPROCITY, THE "ANTI- FOREIGNERS" DISCUSSION IS HEATING UP IN US BANKING CIRCLES. AMERICAN CRITICISM IS STARTING FROM VARIOUS ENDS. THE STATEMENTS OF ANDREW BRIMMER, MEMBER OF THE FEDERAL RESERVE BOARD, ARE BEING PICKED UP: THE BRANCHES OF FOREIGN BANKS HAVE CONTRIBUTED AT A SUBSTANTIAL VOLUME TO THE HEAVY FLOW OF DOLLARS DURING THE MONETARY SCRISES OF THE CURRENT YEAR. SINCE THEY ARE NOT SUBJECT TO THE CAPITAL EXPORT CONTROLS EXERCISED OVER AMERICAN INSTITUTES, THEY WERE MORE FLEXIBLE THAN THEIR US COMPETITORS TO TRANSFER DOLLARS ABROAD.

THE SPECIAL TREATMENT ENJOYED BY FOREIGN BANKS IN THE US IN PARTICULAR IS AROUSING BAD FEELINGS. ACCORDING TO COOLEY,

FOREIGNERS ARE PROFITING FROM THOSE ADVANTAGES TO THE DISADVANTAGE
OF THEIR DOMESTIC COMPETITORS. SUBSIDIARIES OF FOREIGN BANKS ARE
ABLE TO CARRY OUT NORMAL BANK TRANSACTIONS ACROSS THE BORDERS OF
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INDIVIDUAL STATES, AND BY THEIR OWN BRANCHES, WHICH US INSTITUTES
ARE NOT PERMITTED TO DO. OTHER THAN THE BULK OF AMERICAN BANKS,
FOREIGN SUBSIDIARIES HAVE ACCESS TO THE EURO- MARKET. IN THE
FIRST PLACE, HOWEVER, SUBSIDIARIES OF FOREIGN BANKS ARE PERMITTED
TO HANDLE SHORT- TERM TRANSACTIONS AS WELL AS STOCK- EXCHANGE AND
ISSUING TRANSACTIONS, I. E., TO CIRCUMVENT THE GLASS- STEAGALL ACT,
WHICH PROVIDES FOR A SEPARATION. IN THE FOLLOWING CASES, THE
SEPARATION APPLYING TO US BANKS ARE CLAIMED TO HAVE BEEN AVOIDED:
THE INTEREST OF BANCO ITALIANA COMMERCIALE IN THE INVESTMENT
BANKING COMPANY OF MODEL ROLAND & CO., AS WELL AS THAT OF A
BELGIAN BANK IN STOCKBROKERS DEAN WITTER AND OF COMMERZBANK AND
CREDIT LYONNAIS IN EUROPARTNER. HOWEVER, NOBODY VENTURES TO
PREDICT IF AND WHEN WASHINGTON WILL COME UP WITH NEW FEDERAL
RULES TO GOVERN THE ACTIVITIES OF SUBSIDIARIES OF FOREIGN BANKS.
HILLENBRAND

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NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 25 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN07628
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730554/aaaajtoq.tel
Line Count: 194
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 03 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Aug-2001 by reddocgw>; APPROVED <20-Aug-2001 by kellerpr>; APPROVED <20-Aug-2001 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980305
Subject: HANDELSBLATT ARTICLE ON FOREIGN BANK INVESTMENTS IN UNITED STATES
TAGS: BEXP, EFIN, GW, US
To: BRUSSELS
EC BRUSSELS
EUR
LONDON
OECD PARIS
PARIS
ROME

SECSTATE WASHDC

THE HAGUE

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005